CANADIAN GENERAL ELECTRIC ANNUAL REPORT 1975

Canadian General Electric Company Limited

Officers

Chairman of the Board and Chief Executive Officer
Walter G. Ward

President
Alton S. Cartwright

Vice Presidents
Stanley R. Adamson
William R. C. Blundell
William J. Briggs
Douglas R. Brown
Victor L. Clarke
L. Robert Douglas
Max Drouin
Ivan R. Feltham, Q.C.
Robert N. Fournier
Robert T. E. Gillespie
Standley H. Hoch
Alfred M. Hurley
Archibald F. Johnston
Richard C. Johnston
Francis Moskal
D. Forrest Rankine
Reginald D. Richardson
William D. Rooney
V. Gerold Stafl
Robert Story
Robert S. Thompson
Alan G. Trites, Q.C.

Secretary
Alan G. Trites, Q.C.

Assistant Secretaries
Phyllis Edge
Ivan A. Grantham
George W. Harrigan
Dean A. Wasson

Treasurer
William J. Briggs

Comptroller
V. Gerold Stafl

Corporate Headquarters
P.O. Box 417, Commerce Court North,
Toronto, Ontario, M5L 1J2

Active consolidated subsidiaries
Amalgamated Electric Corporation, Limited
Dominion Engineering Works Limited
Dominion Engineering Company Limited
Genelcom Limited
Montreal Armature Company Limited
W. L. Stevens Ltd.

Active non-consolidated subsidiaries
Genelcan Limited
  Genelcan Realty Limited

Auditors
Peat, Marwick, Mitchell & Co., Toronto, Ont.

Transfer Agent and Registrar
National Trust Company, Limited, Toronto, Ont.

Cover: Electricity, Canada and Canadian General Electric. The photo by Malak on the cover of this report shows skaters on the Rideau Canal in Ottawa. Electricity and CGE have been part of the Canadian scene for more than eighty years. Both have been growing to meet the needs of Canadians everywhere. Today, electricity accounts for about a third of the energy Canadians use. And CGE is continuing to develop the new and better products needed for the generation, transmission, distribution and application of energy in the form of electricity—for work and for pleasure, coast to coast and abroad.

Right: In September 1975, new corporate headquarters for Canadian General Electric were established at Commerce Court North on King Street West in Toronto, in the heart of Canada's financial and business community. Corporate headquarters have been on King Street in Toronto since 1899. CGE's first head office was on Front Street in Toronto, where Union Station now stands.

Highlights of operations

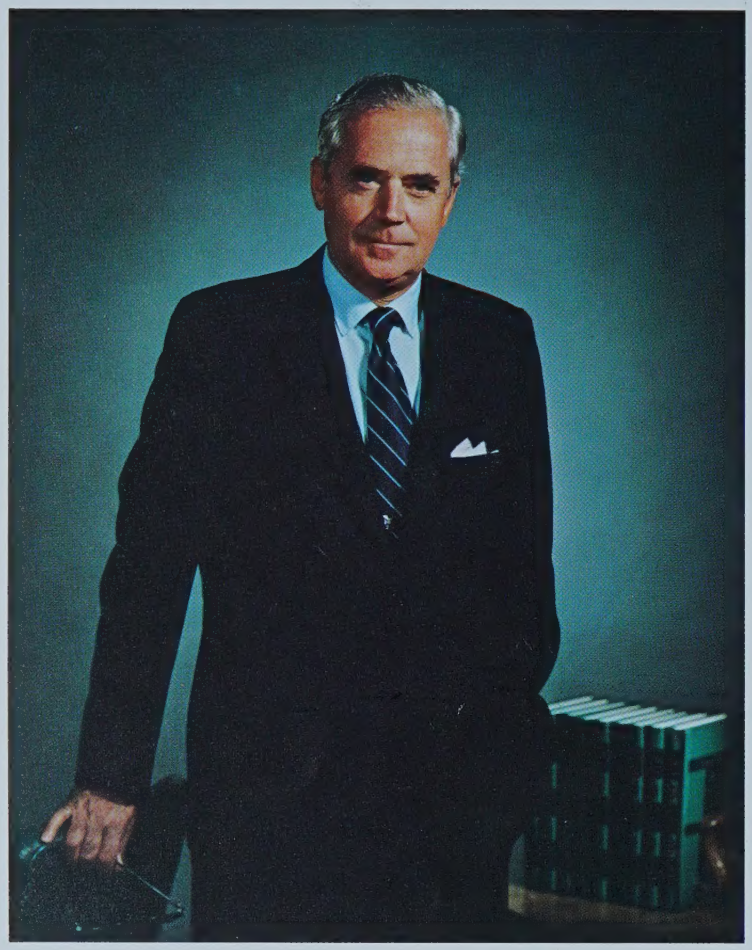
	1975	1974
Financial		
(Dollar amounts in millions, except per-share amounts)		
Sales of products and services	**$822.1**	$709.9
Net earnings before extraordinary items	**36.2**	26.0
Earnings as percentage of sales	**4.4%**	3.7%
Net earnings per share	**4.43**	3.18
Dividends declared per share:		
Common—regular	**1.20**	1.00
—special	**1.00**	—
Convertible preferred	**1.25**	1.25
Statistical		
Average number of employees	**18 789**	19 193
Number of shareholders of common and convertible preferred	**1 356**	1 453
Common shares outstanding at year end	**8 178 800**	7 561 257
Sales by major categories	(in thousands)	
Apparatus and Heavy Machinery	**$389 564**	$285 236
Construction and Industry Supplies	**285 642**	256 444
Consumer Products	**195 275**	201 331
Corporate eliminations and unallocated items	**(48 347)**	(33 098)
Total Company	**$822 134**	$709 913

Sales by category include intra-company transactions. To the extent that sales are recognized in more than one category, appropriate elimination is made at the corporate level.

Contents

Pour un exemplaire de ce rapport en français, s.v.p. écrire au Secrétaire

Comments of the Chairman



Walter G. Ward
Chairman of the Board and Chief Executive Officer

Canadian General Electric had continued growth in total sales and net earnings in 1975.

Net earnings of $36.2 million, excluding extraordinary items, were 4.4 per cent of sales, compared with 3.7 per cent the previous year when earnings were depressed by a four-week strike. Including extraordinary items, net earnings in 1975 were $44.0 million.

Net earnings per share, excluding extraordinary items, were $4.43 in 1975 compared to $3.18 in 1974 and $2.54 in 1973. Net earnings per share, including extraordinary items, were $5.38 in 1975.

Credits arising from the sale of the Company's Port Hawkesbury heavy water plant comprise the principal extraordinary item in 1975 net earnings. These credits will partially offset the high costs that were incurred earlier in development and start-up of the plant. The Port Hawkesbury plant is Canada's first successful heavy water plant and represents the largest research and development project ever undertaken by the Company.

CGE continues to play an active role in Canada's nuclear power programs and in the development of nuclear electric technology for the Canadian CANDU system, a role that has meant the investment of over $200 million by the Company in the past twenty years.

Sales of CGE products and services totalled $822 million in 1975, a 16 per cent increase from the year before.

Looking at Canadian General Electric as an enterprise, serving the claims of those contributing to and participating in the enterprise, the distribution of the sales revenue in 1975 was as follows: 32.0 per cent went to employees in the form of wages, salaries and benefits; 58.1 per cent went to suppliers of materials and services; 4.2 per cent was for governments in the form of income and other taxes; 2.2 per cent went to the Company's shareholders as dividends; and 3.5 per cent was reinvested in the modernization and expansion of the Company's operations. Investment in new plant and equipment, primarily to improve productivity, continues to receive high priority.

Technology also continues to receive high priority through the development of new and better products to apply electricity more effectively for work and for pleasure, and through the design and construction of highly advanced equipment for the generation, transmission and distribution of electricity.

These include CGE's contributions not only to Canada's nuclear programs but also to the science of hydro-electric power generation, conventional thermal power generation, long-distance transmission, high-voltage direct-current systems, automated industrial process systems and energy-conserving household appliances.

The growing technology base serves the Canadian market and also helps the export business for Canadian manufactured goods.

Export sales, both direct and indirect, came to $86.4 million in 1975, a 42 per cent increase from 1974. These sales were made to more than 45 different countries, with the bulk being to the United States and countries in South America and the Middle East.

Highlights of the year's operations include the continuing work at plants in Ontario and Quebec on three 700 MVA hydro-electric generators–believed to be the largest in the world–for the Grand Coulee project on the Columbia River in Washington State.

The Company's Apparatus and Heavy Machinery Division also received an order to design and build a 200 MVA hydro generator for the Swedish State Power Board.

The Transmission and Construction Products Division of the Company continued its work in HVDC transmission in 1975, including the manufacture of solid-state valves and other equipment for the 370 MVA British Columbia Hydro and Power Authority system which will link Vancouver Island with the B.C. mainland. This Division also supplied advanced communications equipment to the Quebec Provincial Police and several regional police forces in 1975, and received orders for additional major installations, including one for the RCMP.

The Consumer Products Division introduced a new Canadian-designed and built three-door, energy-conserving refrigerator in 1975. Heavy demand for this product continued to exceed expectations throughout the year.

New orders received by the Company in 1975 totalled $889 million, and the Company ended the year with unfilled orders worth $834 million, of which $388 million are for delivery in 1976.

Investment in human resources is also given emphasis at CGE, and in 1975 close to 400 employees participated in the Company's manufacturing management, financial management, marketing and graduate engineering programs. In addition, CGE people made full use of the courses available through the GE system.

The Company also responded in 1975 to new government initiatives and set up an Economic Controls Council in October, to ensure compliance and co-operation with regulations of the Federal Government's anti-inflation program.

The Energy Conservation Council of the Company, organized in 1974, reported energy-cost savings in 1975 of close to a million dollars.

Business conditions remained mixed as the year closed. Overall, although at this stage modest real growth in the Canadian economy is expected in 1976 and on into 1977, led by residential construction and consumer spending, some uncertainty is developing in the consumer area. Business investment in plant, machinery and equipment is expected to be a weak component of the economy in Canada in the current year.

The weakness anticipated in business investment reflects not only the degree of unused capacity in the Canadian economy, but also record high interest rates, insufficient cash flow and uncertainty related both to the Federal Government's anti-inflation controls program and to the setting of appropriate fiscal and monetary policies.

The modest recovery expected in housing starts and expenditures for consumer durables should favour the Company's Consumer Products Division, some departments of the Transmission and Construction Products Division and the distribution business of Gescan.

Comments of the Chairman

The slowdown in business capital investment will be felt by the Apparatus and Heavy Machinery Division and segments of the Transmission and Construction Products Division. A number of utility and industrial projects have recently been stretched out or delayed.

By contrast, markets outside Canada are showing new strength, and offer some offsetting opportunities.

Of continuing concern are the serious, unresolved deficiencies that persist in the incentives and general environment for risk capital formation in Canada, and so impede the productivity improvements that are critical to both sustaining the current recovery and maintaining the relatively high standards of living now enjoyed by Canadians. The current prospect is that Canadian business may not have enough real investment capital to develop the full potential of the Canadian economy in the years ahead.

There is a need in Canada at this time for strong, visible public support of the private sector's ability to provide the foundations of economic and social progress, especially within the related areas of energy self-sufficiency and the strategic imperative of a vigorous domestic technological and manufacturing capability.

The concern of business, government, labour and the public at large must be to redress the present disproportionate emphasis in Canada on wealth distribution and consumption at the expense of savings for investment in the means of ensuring our continued economic wellbeing.

In recent years a significant relative decline in the posted levels of growth in productivity from Canada's critical manufacturing sector has been matched by a serious absolute decline in Canada's balance of trade in manufactured goods.

At the same time, real fixed capital formation in Canada–that is, savings for investment in modern plant and equipment–has had a steady declining share of the total Gross National Product, when measured in constant-dollar terms with allowances for realistic replacement costs added and artificial inventory profits removed.

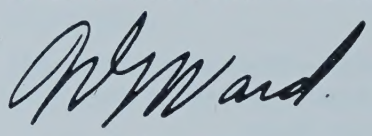
The long-term outlook remains bright for those vigorous Canadian industrial enterprises that supply products and services for the generation, transmission, distribution and application of energy in the form of electricity, in Canada and abroad. It is hoped that the problem of adequate flow of funds for capital formation and productivity improvements from all our resources can be resolved, and a climate established in Canada that is encouraging to positive entrepreneurial effort and full international competitiveness.

Although recent reassessments of energy demand forecasts indicate that there may be slightly less total demand for energy in the years ahead than was earlier contemplated, the expectation continues that electricity will be called upon to play an ever increasing role in meeting Canada's, indeed the world's, growing energy needs.

And, as it has contributed over the past 83 years, Canadian General Electric today looks forward to making still more major contributions to a future which must be increasingly electrical.

The Directors wish to thank all employees of CGE, past and present, who have made their own substantial contributions to the Company's achievements.

On behalf of the Board of Directors.



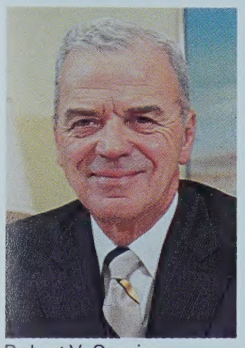
Walter G. Ward
Chairman of the Board and Chief Executive Officer
Toronto, March 18, 1976

Board of Directors


J. Alexandre Béland


John F. Burlingame


Alton S. Cartwright


Robert V. Corning

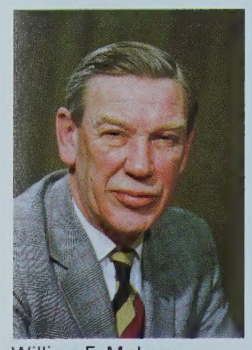

Paul Desruisseaux


Stanley C. Gault


J. Peter Gordon


Edward E. Hood, Jr.

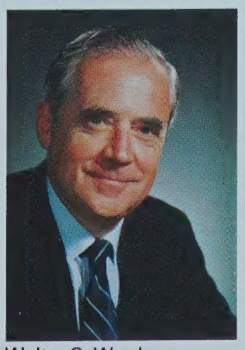

Robert B. Kurtz


William F. McLean


MacKenzie McMurray


Maxwell C. G. Meighen


Denis W. Timmis


Walter G. Ward


Alva O. Way

The Board of Directors represents a wide range of experience and leadership in industry, business and finance. Members of the Board are listed below, with the year they were elected to the Board shown in parenthesis.

J. Alexandre Béland, President,
The Empire Shirt Manufacturing Company Limited,
Louiseville, Quebec. (1958)

Paul Desruisseaux, Q.C., Chairman and President,
Desmont Research & Development Inc.,
Montreal, Quebec. (1964)

MacKenzie McMurray, Chairman of the Board,
Dominion Bridge Company Limited,
Montreal, Quebec. (1966)

Maxwell C. G. Meighen, O.B.E., Chairman of the Board,
Canadian General Investments Limited,
Toronto, Ontario. (1966)

William F. McLean, President, Canada Packers Limited,
Toronto, Ontario. (1967)

Robert V. Corning, Vice President and General Manager,
Lamp Business Division, General Electric Company,
Cleveland, Ohio. (1967)

Walter G. Ward, Chairman of the Board
and Chief Executive Officer,
Canadian General Electric Company Limited,
Toronto, Ontario. (1968)

Stanley C. Gault, Vice President and Group Executive–
Major Appliance Business Group, General Electric Company,
Louisville, Kentucky. (1970)

Robert B. Kurtz, Vice President and Group Executive–
Industrial and Power Delivery Group,
General Electric Company,
Fairfield, Connecticut. (1972)

Alton S. Cartwright, President,
Canadian General Electric Company Limited,
Toronto, Ontario. (1972)

Edward E. Hood, Jr., Vice President and Group Executive–
Power Generation Business Group, General Electric Company,
Fairfield, Connecticut. (1972)

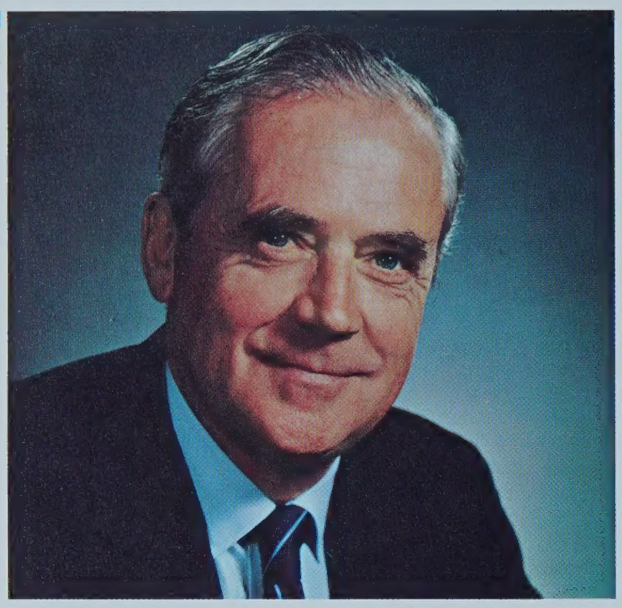
John F. Burlingame, Vice President and Group Executive–
International and Canadian Group, General Electric Company,
Fairfield, Connecticut. (1973)

Alva O. Way, Vice President–Finance,
General Electric Company,
Fairfield, Connecticut. (1974)

J. Peter Gordon, President and Chief Executive Officer,
The Steel Company of Canada, Limited,
Toronto, Ontario. (1974)

Denis W. Timmis, President and Chief Executive Officer,
MacMillan Bloedel Limited,
Vancouver, British Columbia. (1974)

Corporate Officers



1 Walter G. Ward,
Chairman of the Board
and Chief Executive Officer

2 Alton S. Cartwright,
President

3 Reginald D. Richardson,
Vice President and Corporate Executive –
Planning and Development

4 Standley H. Hoch,
Vice President – Finance

5 Ivan R. Feltham, Q.C.,
Vice President and General Counsel

Canadian General Electric Company Limited

Management

Walter G. Ward
Chairman of the Board
and Chief Executive Officer

Reginald D. Richardson
VP—Corporate Executive
Planning and Development

Ivan R. Feltham, Q.C.
VP and General Counsel

Standley H. Hoch
VP—Finance

Victor L. Clarke
VP—Corporate Strategic Planning
and Review

Richard C. Johnston
VP—Corporate Technology Planning
and Development

Alan G. Trites, Q.C.
VP and Secretary

William J. Briggs
VP and Treasurer

V. Gerold Stafl
VP and Comptroller

Operations

Alton S. Cartwright
President

William R. C. Blundell
VP and Division Executive
Apparatus and
Heavy Machinery Division

Robert T. E. Gillespie
VP and Division Executive
Consumer Products Division

William D. Rooney
VP and Division Executive
Transmission and Construction
Products Division

David F. Abel
General Manager
Power Generation Department

Russell M. Baranowski
General Manager
Housewares Department

Archibald F. Johnston
VP and General Manager
Gescan Department

Richard T. Martin
General Manager
Communications Systems
and Services Department

L. Robert Douglas
VP and General Manager
A & HM Sales Department

Francis Moskal
VP and General Manager
Major Appliance Department

Walter E. Noble
General Manager
Chemical, Metallurgical
and Plastics Department

Max Drouin
VP and General Manager
Dominion Engineering Works

Robert Story
VP and General Manager
Lamp Department

D. Forrest Rankine
VP and General Manager
Power Delivery Department

Merritt E. Gordon
General Manager
Industrial Apparatus Department

Robert S. Thompson
VP and General Manager
Construction Products Department

Stanley R. Adamson
VP and Consultant

Douglas R. Brown
VP—Corporate Employee Relations

Robert N. Fournier
VP—Corporate Customer Relations

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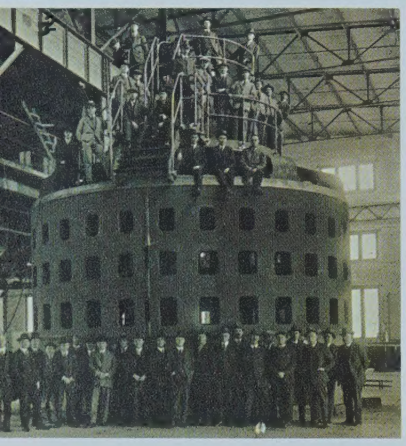

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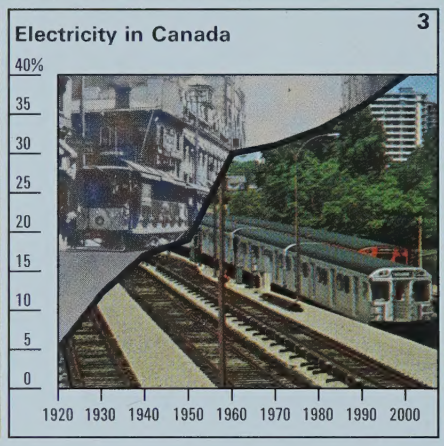

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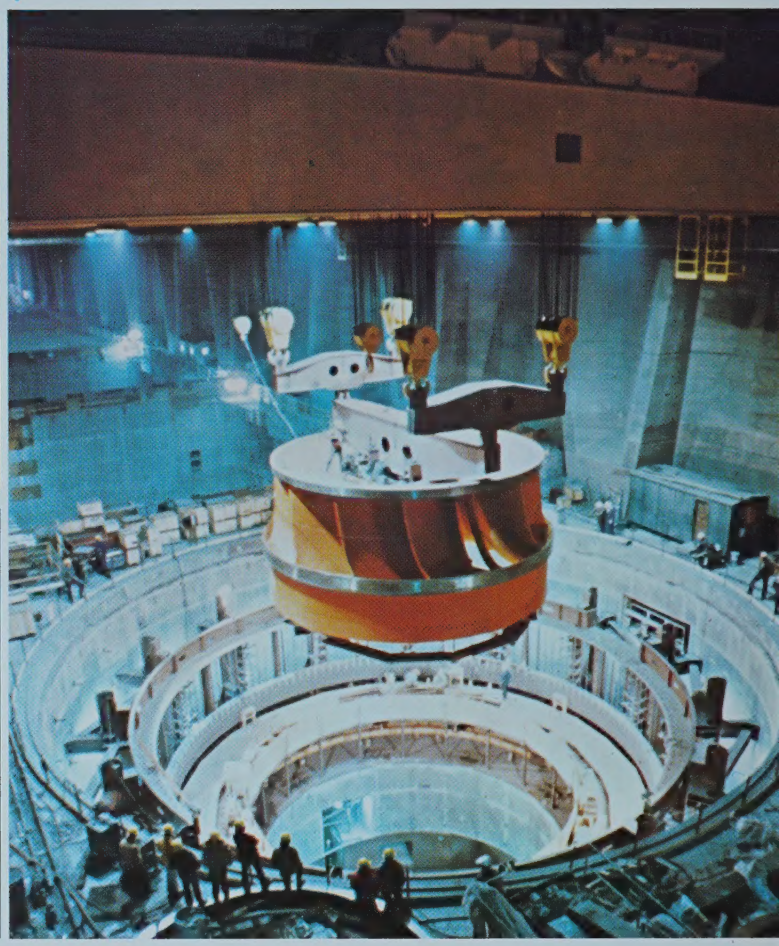

When Jacques Desbaillets of CGE's Dominion Engineering Works in Montreal won the second international Charles P. Steinmetz Award in 1975—and incidentally became the second CGE person to do so—he did more than bring well-deserved credit to himself for his many advances in the art of hydraulic turbine design.

He also extended a long tradition of Canadian General Electric for engineering excellence and technological achievement—a tradition that has been a hallmark of the Company since its founding 83 years ago.

Twenty-five years after Confederation, in 1892, Canadian General Electric was established with 500 employees and one small manufacturing works in Peterborough, Ontario. Head office was, as it still is, in Toronto.

Canada itself at the time had a population of just over five million. Two-thirds of its labour force were employed as farmers, labourers and lumbermen. The boundaries of Ontario, Quebec and Manitoba enclosed less than half the area they do today. Alberta and Saskatchewan did not exist as such. And Newfoundland was more than 40 years away from joining the British North America confederation.

Canadians depended for artificial lighting mainly upon the oil and gas lamp, for heat upon the wood stove, and for power upon the steam engine and water wheel.

Since that time, like Canada, CGE has grown, developed and matured. Between 1893 and 1975 annual sales of the Company's products and services grew from $500,000 to more than $822 million—doubling, on average, every seven or eight years.

CGE people and their immediate families now would make up the equivalent of a medium-sized Canadian community—a community the size of Lethbridge, Alberta, or Cornwall, Ontario, say. More than 800 are engineers. And of CGE's 19,000 employees across Canada, one out of every six has been with the Company for 25 years or more.

CGE people provide that vital bond of experience between the pioneer Canadian company of yesterday and the international-minded Canadian enterprise of today. They are a link to the Company's future too—a future of new products and services, new technologies and expanding facilities geared to the challenges of tomorrow.

CGE today has 32 manufacturing plants, as well as several apparatus service shops, service depots for such CGE products as mobile radios and defense equipment, and dozens of consumer service shops and sales offices. Altogether, CGE people can be found in more than a hundred locations across Canada, from British Columbia to the Maritimes, and as far north as Fort McMurray in northern Alberta.

1. **Jacques Desbaillets of Dominion Engineering Works, winner of the General Electric Steinmetz Award for outstanding technological achievement.**

2. **This 75,000 h.p. generator, built at the Company's Peterborough plant 55 years ago, was hailed then as one of the world's largest.**

3. **Electricity as a per cent of total energy put to use in Canada.**

4. **A 500-ton turbine runner, designed at Dominion Engineering Works and capable of generating 1,000,000 h.p., is lowered into position in the powerhouse at the Grand Coulee project in the U.S. The Company is supplying three record-size generators to this vast project.**

5. **Six fuelling machines are being supplied to the Bruce Nuclear Power Station of Ontario Hydro. This is a fuelling machine head magazine used for loading and unloading nuclear fuel.**

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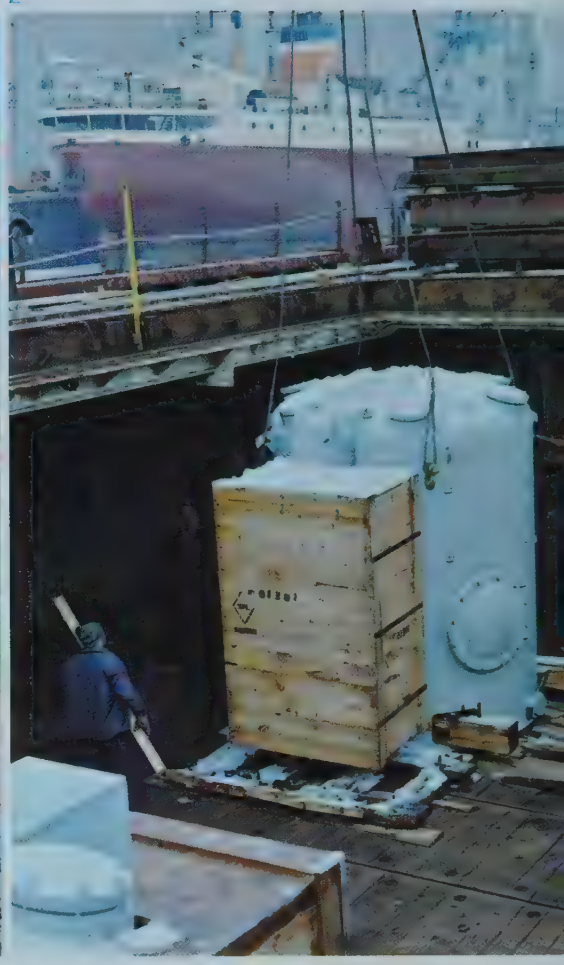

The economic impact of the Company over the past ten years might be summarized this way:

- Salaries, wages and benefits paid to employees — $1,803 million
- Supplies and services purchased — $3,133 million
- Taxes paid — $205 million
- Expenditures for new plant and equipment — $253 million

CGE continues to give high priority to the reinvestment of earnings in new plant and equipment to achieve those gains in productivity so important to the competitiveness of the enterprise.

Today the Company is acknowledged to be Canada's largest electrical manufacturing company, supplying products and services—across Canada and abroad—for the generation, transmission, distribution and application of energy in the form of electricity.

The Company is also, as *Business Week* magazine recently pointed out, "Canada's largest diversified manufacturer." Its thousands of products range from the world's smallest light bulbs to the world's largest hydro-electric generators, from energy-conserving household appliances to nuclear fuel and nuclear fuelling machines, from plastics to man-made diamonds.

CGE manufactures a wide range of equipment for the steel, cement, mining, pulp and paper, transportation and other industries, in addition to the electrical industry. In this way, it can be said, CGE is helping others to use energy more effectively and so improve upon their own levels of productivity and consequent competitiveness.

Cheap and abundant electricity—and particularly hydro-electricity—has been the basis of much of Canada's economic and social progress in the 20th century, and accounts for a large measure of our relatively high standards of living.

Canadian General Electric is proud of the role it has been able to play almost from the very beginning in the development of Canada's rich forest, mineral and hydro-electric power potential. The first five generators for Niagara, for example, were built in the Company's Peterborough works in 1905. Today CGE is a world leader in hydro-electric technology.

At present the Company is building what are believed to be the three largest and most powerful hydro-electric generators in the world, to be installed at Grand Coulee on the Columbia River in Washington State. At present the Company is also building, at plants in Ontario and Quebec, ten 135,000-horse-

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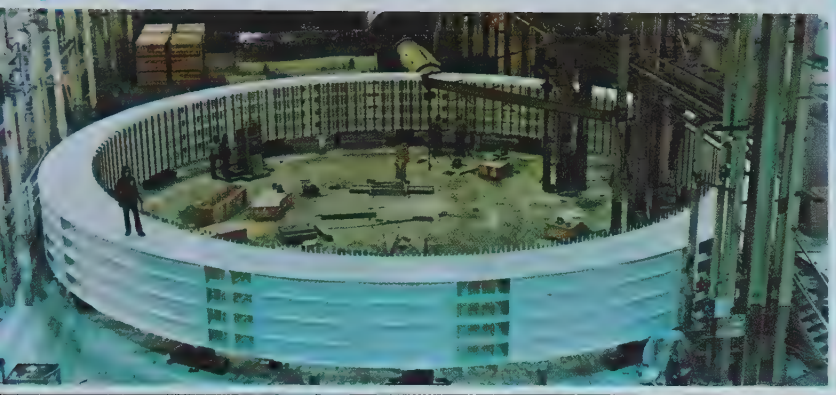

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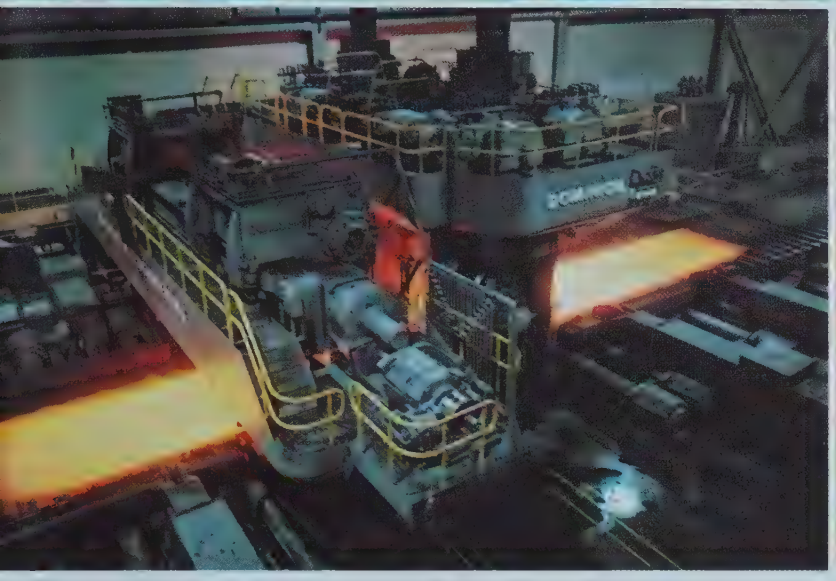

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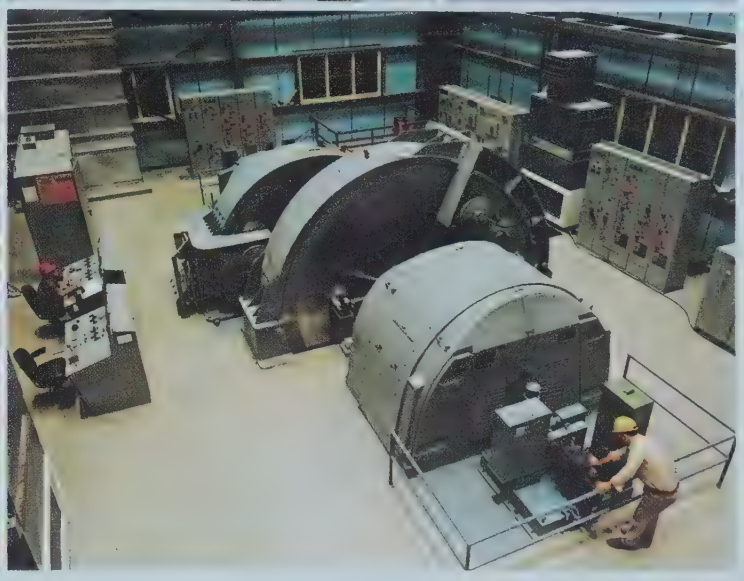

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power hydraulic turbines, ten generators and ten large transformers for Manitoba Hydro's Long Spruce hydro power project on the Nelson River. Many other examples could be cited.

Over the years, CGE has supplied hydro-electric generators worldwide with a combined total of over 25 million kilowatts—or 34 million horsepower—of generating capacity.

CGE has also been active in the manufacturing of equipment for thermal power stations, including the nuclear power stations that will be supplying an increasing proportion of the energy mix that Canadians use. The Company's part in Canada's nuclear power programs and in the development of nuclear electric technology for the Canadian CANDU system has called for expenditures approaching a quarter of a billion dollars since 1955.

Currently the Company is building the generator and turbine for Hydro-Québec's Gentilly II nuclear station.

Looking back, CGE designed and built Canada's first nuclear power station at Rolphton, Ontario, placed in service in 1962. Ten years later, in 1972, there was the commissioning of the first overseas nuclear station of Canadian design, in Pakistan. The Company also built Canada's first successful large-scale heavy water plant at Port Hawkesbury, Nova Scotia.

1. The Company is supplying four hydro-electric generators to this power site at Guri, Venezuela. One was shipped in 1975.

2. Oil circuit breakers built at Peterborough plant are seen being loaded aboard ship at Montreal for transport to South America.

3. Three hydro-electric generators are being supplied to the Grand Coulee project in the state of Washington. This stator frame for one of them, assembled in the Scarborough plant, is over 73 feet in diameter.

4. Propulsion equipment for two of these Canadian R-Class icebreakers is being supplied by the Peterborough plant.

5. Purchase of this aircraft by an Edmonton firm was arranged through Genelcan, the Company subsidiary that provides financing assistance to business.

6. Electrical equipment plays an important and ever-increasing role in industry. This is a computer-controlled steel rolling mill built at Dominion Engineering Works.

7. This is a service and production hoist at a mining facility. Its complete friction hoist with DC drives was built by the Company.

Electricity from hydro sites, such as the one shown above, provided the basis for much of Canada's electrical power growth. Now, electricity derived from Canadian progress in nuclear power technology, as exemplified by Ontario Hydro's highly successful nuclear station at Pickering, Ontario (left), will provide a growing proportion of Canada's future power needs.

Also in 1972 the Company completed the world's first solid-state high-voltage direct-current converter station at Eel River, New Brunswick, to permit the transmission of electricity from Churchill Falls in Labrador through the Hydro-Québec system to the Maritimes power pool. A similar HVDC link has been taken on by CGE to connect Vancouver Island with the British Columbia mainland.

In addition, CGE has pioneered in the development of extra-high-voltage (EHV) equipment to enable large blocks of electricity to be transmitted economically over very long distances.

Further diversification of CGE interests took place in 1974 when the Company formed a new department, Gescan, to handle the wholesale distribution of CGE and complementary electrical products to a variety of construction and industrial markets. Recently Gescan has been supplying equipment and materials to, for example, the Eaton Centre development in Toronto, a Calgary hospital and the Steel Company of Canada's Nanticoke project.

Through its subsidiary, Genelcan Limited, the Company is able to provide a continuous source of funds to help Canadian businesses modernize and grow. Genelcan has helped finance such diverse things as an 85-ton transporter working on the James Bay hydro power project, tractor trailers, production machinery, apartment buildings and shopping plazas.

Export markets for Canadian manufactured goods have also been sought out, and in 1975 CGE sold $86.4 million worth of goods outside Canada to more than 45 different countries, among them the United States, the United Kingdom, Brazil, Iran, Iraq, India and Spain, as well as other countries in Europe, Africa, South America and Asia, the Middle East, the East and West Indies.

The Grand Coulee contract, referred to earlier, was won in competition against American, Japanese and Russian manufacturers.

All over the world, electricity is being used in more and more ways to maximize the productive use and long-term conservation of all our different energy resources, at the minimum social and economic costs.

Today we touch a switch and a room brightens, a television set comes to life, our food is cooked, our homes are heated or cooled, trains run, the machines we work with start up, computers process the information vital to the workings of modern society.

And we tend to take it all for granted. It's just electricity. Something we've grown up with and grown used to.

It wasn't always so, of course. When Samuel Morse over 130 years ago first put electricity to commercial use with his telegraph, and when Thomas Edison almost 40 years later, in 1880, threw the stock market into turmoil with the announcement of his revolution in man-made lighting, electricity was for a time the wonder of the age.

Progress in the technology of long-distance electric power transmission is typified by the 735 KV transmission lines at left. The bulk of the output of the 7,000,000 h.p. Churchill Falls hydro-electric plant in Labrador is delivered over these lines, shown here crossing the Lower Churchill River. Above is a pad-mounted transformer, typical of those used for underground distribution of electricity in modern communities.

As the years went by the wonder never ceased. But the wonderment wore off.

The dramatic transformation in our factories, for example, made possible by the introduction of electricity, can perhaps really be appreciated only by someone who has seen an old-fashioned steam-powered plant, with its single engine and long driveshafts running the length of the building, often repeated on several stories, numerous belts and pulleys all roaring, whining and flapping.

This set-up was not only clumsy and inefficient—a steam engine cannot be stopped and started at will—but it was also dangerous.

In Canada, the demand for electricity has grown steadily, and rapidly, and almost unnoticed, since its introduction in the 19th century. In fact, in the 50 years leading up to 1970, the demand for electricity in Canada grew at an average rate of 7.3 per cent a year.

During those same 50 years the demand for all forms of energy together grew at an average annual rate of 3.5 per cent, while Canada's Gross National Product grew in real terms by about 4 per cent a year on average.

The result is that about a third of our energy needs are now met by electricity.

And even the more conservative forecasts estimate that before the turn of the century close to half of the energy we use will be in the form of electricity.

Forecasts past the year 2000 put the proportion of electricity in Canadians' total demand for energy even higher, as we make our way towards what has been called "the all-electric society."

The reason is that electricity is an essential key to obtaining the maximum benefits at the minimum costs from all our energy resources.

This simple, yet inescapable conclusion is being drawn into ever sharper focus for business and government decision-makers almost daily, by the increasingly demanding circumstances of the age in which we live.

Primary sources of energy may come and go. Electricity can be produced from any one or all of them—oil, gas, coal, hydro, uranium, or whatever. Energy in the form of electricity is easily controlled and can be distributed conveniently and economically over any distance, large or small. And it can be readily converted again into heat, light and power as may be required by people no matter where they are or how they live and work.

From the vast and awesome machinery that drives heavy industry to the most delicate instruments, electricity can power them all.

Electricity–safe, clean and versatile–is being put to work in an ever increasing range of applications. At left, Multi-Vapor® high-intensity-discharge lamps in a commercial greenhouse provide not only an energy saving compared to incandescent lighting but also, since they are more conducive to the photo-synthesis process, an extra crop per year for the greenhouse operator. This trend to use electricity wisely and well extends into the family kitchen. Shown above is the new 19 cu. ft. energy-efficient refrigerator designed and produced at the Company's Montreal major appliance plant.

Electricity is the most versatile form of energy there is, both in the number of ways it can be used and in the number of sources from which it can be produced. This allows more than enough flexibility to plan effectively for the conservation and optimum productivity of every energy resource.

Energy in all forms will cost more and more in the years ahead. This is now clear, to Canadians no less than to the people of other countries.

Some government officials, as well as others, have indicated that as much as 6 per cent of Canada's GNP will have to be devoted to energy investment in the next decade, compared with the 3.5 per cent average of the 1950s and 1960s. But there are also those who suggest that this 6 per cent is too ambitious a goal, that it means too much cutting back on growth elsewhere in the economy, and that more attention should be given to modifying the growth in total energy demand through conservation.

Conservation, according to Canada's Department of Energy, Mines and Resources, "can stretch our energy reserves, cut costs, reduce inflation, and improve our environment and our way of life far into the future." In the sense that conservation is not rationing or hoarding, but rather the rational management of our resources, electricity can be a big help.

The size and scope of the challenge now before the electrical utilities and electrical manufacturers of Canada are unprecedented. The building of the CPR, which bound Canada into a nation over a century ago, almost pales by comparison.

If the demand for electricity materializes as forecast by the Department of Energy, Mines and Resources, $50 billion in constant dollars—or $74 billion with allowances for cost escalations—will be required over the next ten years to expand Canada's electrical energy sector.

Canadians must weigh very carefully their true energy needs, and consider also the implications of putting off major decisions. Long lead times are essential to manufacturers and utilities alike in their planning to meet demand as it develops.

In the world today, Canada has one of the finest records of co-operative achievement in the development of electricity to meet and satisfy society's growing demands. On the whole, electricity in Canada costs its users about half of what it costs in Europe, and a small fraction of what it costs in the United States. Moreover, in Canada we have vigorous and healthy electrical utilities that provide dependable heat, light and power at the flick of a switch.

But the most impressive achievements must still lie ahead. The challenge is no less than to maximize electricity's share of total energy demand to the extent justified by costs and effectiveness.

William R. C. Blundell
Vice President and Division Executive

1. In the foundry at Dominion Engineering Works, castings up to 85 tons can be made in a two-ladle pour. This pour is for a hydraulic turbine component.

2. A 150 MW turbine generator stator being built at the Peterborough plant. The steam turbine for this unit was manufactured at the Scarborough plant.

3. Machining operations are being performed here on a hydraulic turbine runner at Dominion Engineering Works. This unit is for export to Brazil.

4. Erection crews install the first segment of a stay ring for a hydro-electric generator and turbine at the Grand Coulee project in the State of Washington. The Company is currently building and installing three large generators for this project.

5. A new electric motor introduced by the Company uses aluminum in its frame and endshield construction. Available in ratings up to 5 h.p., these motors feature a ribbed construction to strengthen the motor frame.

6. This Peterborough-built 8,750 h.p. cement mill motor rotor is shown being installed in the customer's plant. This unit ranks among the world's largest cement mill drives.

7. A hydro-electric generator rotor is shown on a 40-foot boring mill. This unit is one of four being built for a project in Guri, Venezuela.

The very strong 1974 order rate for heavy apparatus carried through into early 1975 and then turned sharply downward. As a result the 1975 level of available domestic business was significantly lower.

However, with energy needs growing rapidly, major orders were received during 1975 for power generation units. Domestic orders included two 123,000 KVA hydro-electric generators for the New Brunswick Electric Power Commission at Mactaquac; two 111,000 KVA generators for the Nova Scotia Power Commission at Wreck Cove; and, for the Newfoundland Light and Power project at Bay D'Espoir, a 172,000 KVA generator and turbine—the latter to be built at Dominion Engineering Works, Lachine.

Major Canadian installations included hydro-electric generators at the Mica Creek and Kootenay Canal projects in British Columbia. And the first of six 268,000 h.p. Dominion Engineering turbines for Hydro Québec's Manicouagan 3 project went into service ahead of schedule.

In the export field the first of four of the world's largest hydro-electric generators was shipped to Guri, Venezuela, from the Peterborough plant.

At Dominion Engineering, an outstanding achievement has been the design, engineering and installation of three 820,000 h.p. hydraulic turbines (the largest and most powerful in the world) for the Third Power Plant at Grand Coulee on Washington State's Columbia River. The first of these units was installed and achieved a record start-up ten days from initial roll to full load power.

Export business was also represented in hydraulic turbine installations at Volta Grande, Cachoeira Dourada and Moxoto, Brazil, and in major orders for a 200,000 KVA hydro-electric generator from the Swedish State Power Board; two 48,000 KVA hydro-electric generators and turbines for the Warsak Hydro-Electric Station, Pakistan; and two 95,000 h.p. hydraulic turbines for the Harris Dam project of Alabama Power.

Of special importance was the successful 500-hour, full-load test of the first large vertical nuclear heat transport pump motor built for Québec's Gentilly II Nuclear Power Plant. The test was conducted at the pump manufacturer's West German plant.

In the industrial machinery area, major installations completed or begun in 1975 included a high speed, Papriformer-equipped newsprint unit for F. F. Soucy, Inc., Riviére du Loup, Québec; a five-stand tandem cold mill for Dofasco, Hamilton, Ont.; a high speed roughing and finishing mill of advanced design for Alcan in Kingston, Ont.; ball mills and drive motors for the Fire Lake project of Sidbec-Dosco; and 24 high-speed gear units for the Bruce Heavy Water Plant of Ontario Hydro.

Also during 1975, the first digit logical controller equipments produced by the Division were shipped to the Aluminum Company of Canada Limited and Dofasco for use in their cold mills.

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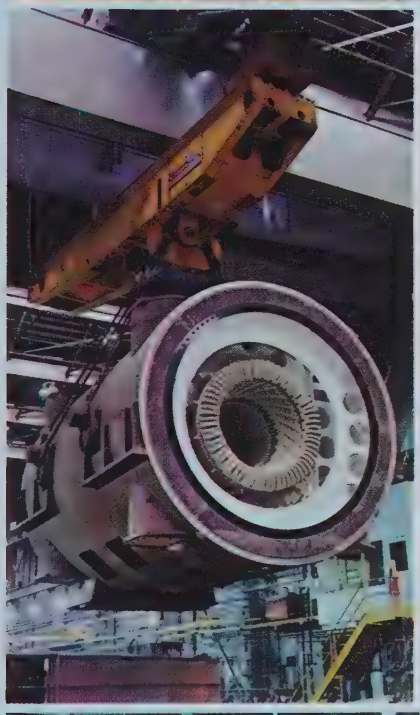

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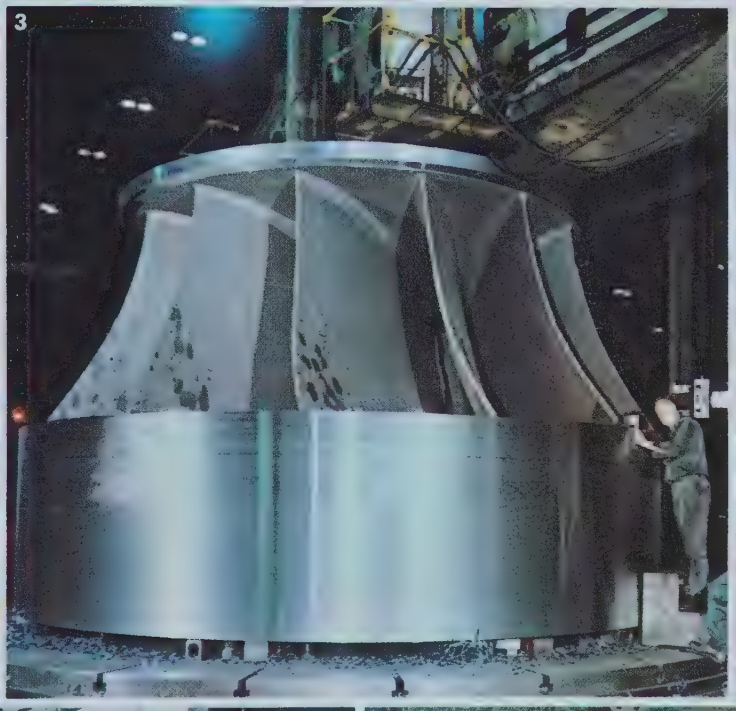

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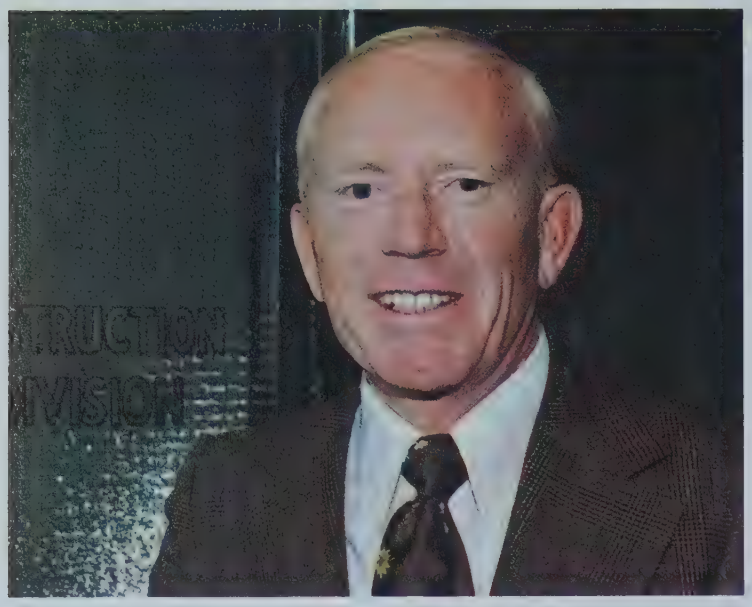
Transmission and construction products division



William D. Rooney
Vice President and Division Executive

1. Products made by this Division form the 'electrical backbone' of modern building construction. The Division also supplies a number of non-electrical construction products, including FRE (fibre re-inforced epoxy) duct and silicone sealants.

2. There was so great a market demand for the Mark IV electric baseboard heater that a $1,000,000 investment in new facilities and equipment was made to increase production capacity of these units by 200 per cent. Part of the new equipment is shown here.

3. Numerically controlled machine tools are becoming increasingly prominent in industry. At Peterborough, this NC chucker lathe with automatic bar feed attachment provides a productivity improvement of three to one over previously used equipment.

4. An investment program was continued during 1975 to keep the Company's magnet wire capability current with customers' increasing demands for volume and quality. Shown is one of the newly installed machines equipped with a high capacity gas-fired oven to produce a wide range of round sizes in a variety of enamels and packages.

5. Sales of the Company's TermiNet® teleprinters were at a high level in 1975. These sophisticated terminals are used in a wide variety of business applications for communications and for talking to computers.

6. Components for solid state valve structures used in HVDC systems are shown being assembled in Peterborough.

7. A single phase of the Company's new 550 KV air blast breaker is shown undergoing lightning surge tests in Hydro-Québec's Research Laboratory. This totally Canadian-designed and -built breaker will soon be installed on utility systems in the U.S. as well as Canada.

8. The Company is continuing its advanced work in the field of HVDC transmission. This unit will form part of the solid state HVDC system which will link Vancouver Island and the British Columbia mainland.

The Division made significant advances in its areas of interest during 1975, notwithstanding the inevitable effects of inflationary influences.

Pioneering work in HVDC transmission continued. This included manufacture of solid state valves and other equipment for the 370 MW British Columbia Hydro HVDC system to link Vancouver Island and the mainland. Manufacture of similar equipment for the U.S. 100 MW Stegall Project was also initiated. The year also saw production at Peterborough of the new Canadian-designed 550 KV air blast breaker destined for use in Canadian and export markets.

The first of 20 top power-rated 253 KV 63,000 ampere oil circuit breakers, destined for Ontario's Hitchinbrooke Station near Kingston, was also produced at Peterborough. In the power switching equipment field, an 18.5 KV 30,000 ampere isolated phase bus, the highest rated ever built in Canada, was supplied to Ontario Hydro's Bruce Generating Station.

Indicative of the Division's position as a major supplier to the communications market was its opening early in the year of a new plant in north-west Toronto to support increasing Communications Systems and Services business.

As leading Canadian manufacturer of modern police communications systems, the Department re-equipped the Quebec Provincial Police as well as several regional police forces.

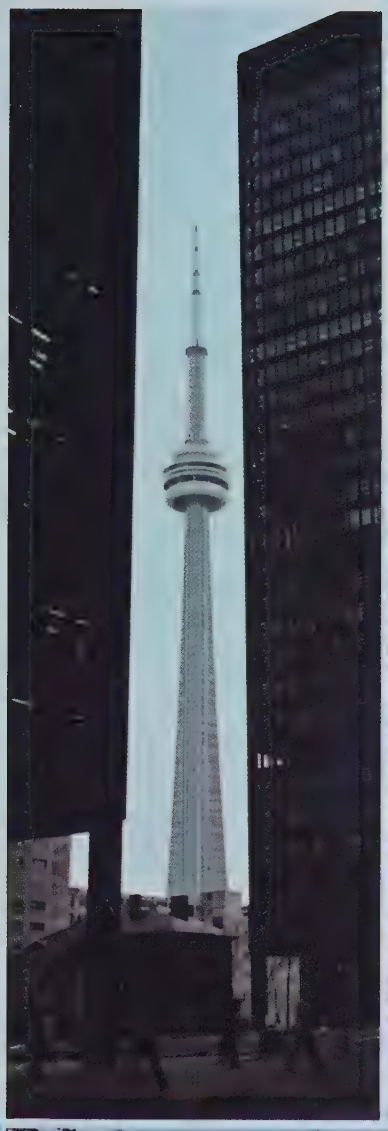
Sales of mobile radios to the business sector continued to increase rapidly, while the Division's new line of mobile telephones gained good market acceptance.

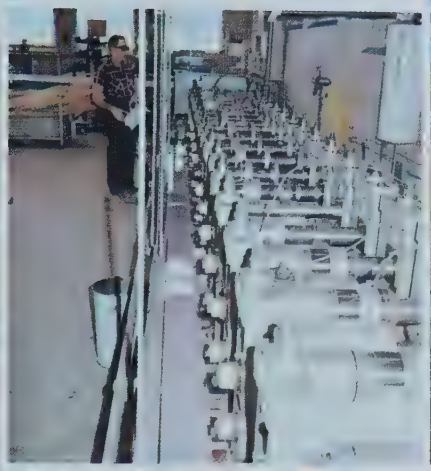
The Division further strengthened its position in computer time-sharing services, with sales substantially above those of 1974. Orders for television broadcast transmitters, particularly from the CBC, were also maintained at a high level.

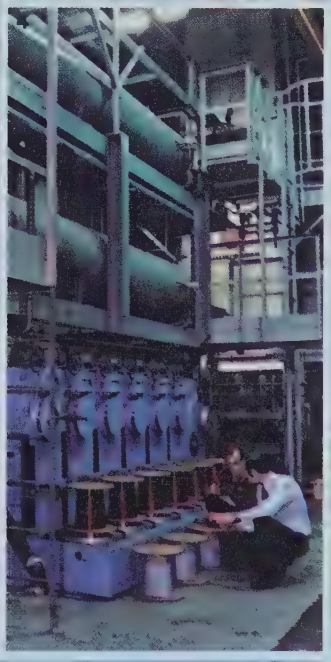
The Construction Products Department was systematically reorganized in 1975, with the formation of a Construction Marketing Council representing products designed to serve 53 per cent of the electrical construction industry—more than any other electrical manufacturer.

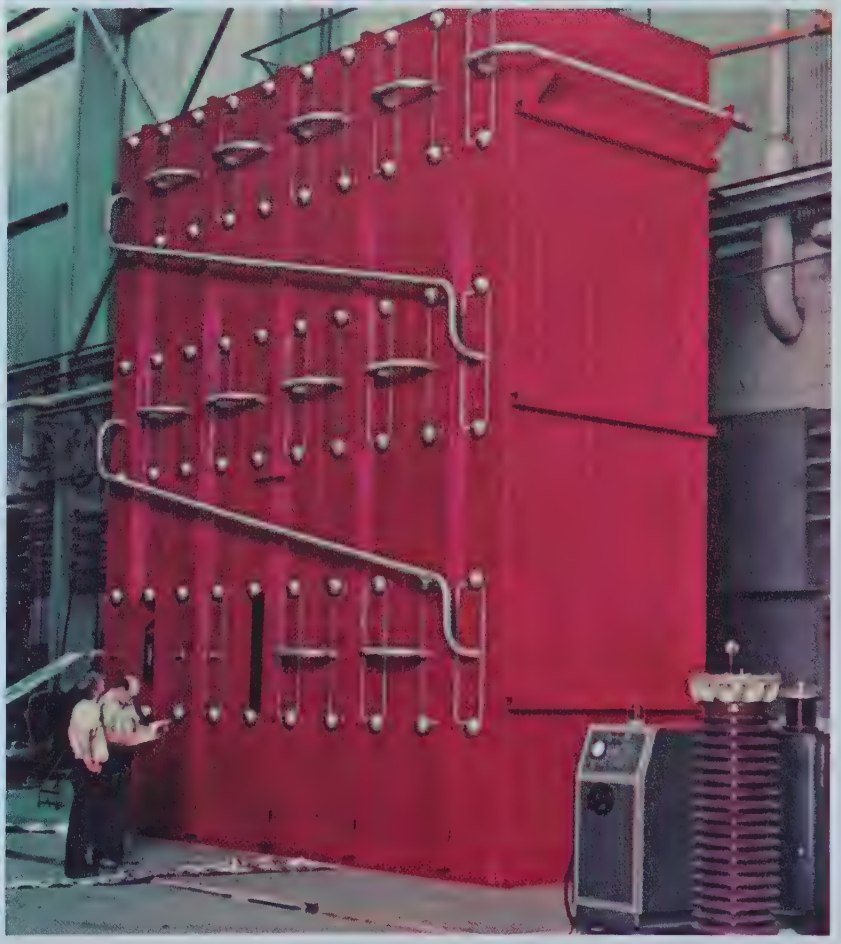
The Department experienced a strong turn-around in its Wiring Devices Section with more products represented in the food and drug store market. In addition, CGE Gold Label ballasts were selected as the exclusive ballasts for use in the huge Eaton's Centre in downtown Toronto. CGE subsidiary Amalgamated Electric Corporation, Markham, Ontario, introduced a new AV line of large Power Mark power distribution assemblies for apartment and industry use. The Wire and Cable Section availed itself of increased business opportunities during the year. These included supplying to the Syncrude Tar Sands Project 7½ miles of 25,000-volt portable cable as well as CGE's Vulkene Urethane® power cable.

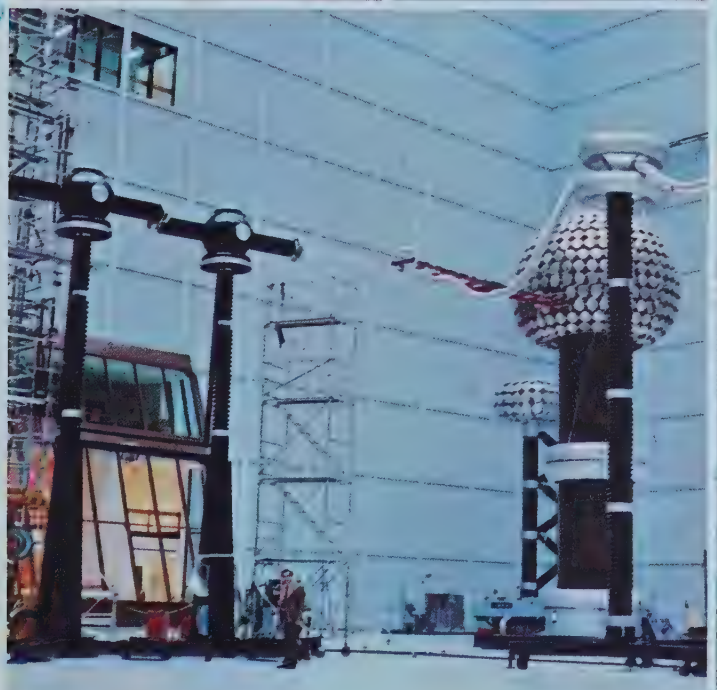
In the area of silicones and insulations CGE was particularly busy in 1975, receiving roofing orders and processing them through a franchised roofer.











Consumer products division

Robert T. E. Gillespie
Vice President and Division Executive

Products introduced by the Division in 1975 included:

1. This new vacuum cleaner with a powered head.

2. Colour television sets with a new 20-inch solid-state chassis.

3. One of the 'Monogram' series of radio products.

4. The youth-oriented 8-track portable player known as the 'Loud Mouth'.

5. Flipflash℗, a unique product designed specifically for Kodak Instamatic and Tele Instamatic Cameras.

6. This compact countertop microwave oven, which allows the most advanced cooking methods.

7. This kitchen display forms part of a CGE Family Store for employees opened in Toronto as part of a revised program to improve the quality of service available to employees purchasing Division products. Another such outlet was opened in Montreal.

8. Modern materials handling equipment enables higher stacking heights to facilitate utilization of the full volume of high-bay distribution centres across the country.

A significant reversal of the four previous years, 1975 saw the Division experience the most drastic market slump in many years as recession and inflation seized control across Canada. Inventories were reduced 20 per cent by the end of the year and the final 1975 net income to sales was comparable to CGE's other Divisions.

The Major Appliance Department responded to the depressed market mood of early 1975 by emphasizing basic value products with fewer automated features. By the second half of the year, more normal buying patterns had returned with emphasis on well-featured premium lines.

Substantial product cost improvements were made through further manufacturing integration of dishwashers and the start-up of the new automated steel shear line. Investments in quality design, audit and control were continued.

Although home entertainment industry sales were down 24 per cent by the end of the year, market inroads were made with the new 20-inch solid state chassis for colour television and audio products.

Extra sales efforts and promotions enabled the Lamp Department to weather a year in which sales of specific lines were adversely affected by such factors as reduced car sales and fewer building starts.

New products introduced included the Shadow Ban® double-life incandescent lamp and the Q4001 automobile headlamp, providing two-and-a-half times more light.

Housewares entered 1975 facing record high inventories at the retail level. The result was an unprecedented decline in industry production and a severe inventory correction. However, the Department was able to sustain satisfactory operating results. The introduction of seven new products assisted considerably in offsetting the severe decline in mature products. The seven included:

The Touch and Curl Curling Iron; Super-Blo℗, a complete home hair-care centre; the professional type pistol styling dryer; the 1,000-watt hand-held power hair dryer; the king-size Toast-R-Oven℗; the Drip Coffee Maker; and a vacuum cleaner with a powered head.

The Division's Distribution and Marketing Services was a key element in 1975 in a major effort to counter the combination of high inventory and recessive sales.

The Division advertising program, although somewhat curtailed, was continued with the object of building a stronger CGE consumer franchise.

Consumer Products Service continued its efforts in 1975 to ensure customer satisfaction with service trucks and technicians providing readily available assistance to an estimated 65 per cent of Canadian consumers.

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Summary of significant accounting policies—1975 Financial Statements

The Financial Statements on pages 25-27 and the related notes on pages 28-31 are prepared on the basis of generally accepted accounting principles. As an aid in evaluating these Financial Statements, the most significant of the principles followed by Canadian General Electric Company Limited are described below.

Basis of consolidation

The Financial Statements in this report consolidate the accounts of Canadian General Electric Company Limited and its subsidiary companies (all of which are wholly owned) except the sales finance subsidiaries which have been accounted for by the equity method; other long-term investments are carried at cost. The sales finance subsidiaries have not been consolidated because their operations are not considered material to the consolidated group.

All inter-company transactions and profits thereon have been eliminated in these consolidated financial statements.

Sales

Sales of products and services to customers are reported in operating results only as title to products and materials passes to the customer and as services are performed as contracted.

Pensions

Current service costs are funded and are charged to operations as they accrue. Past service costs arising from amendments to the plans are charged to operations over varying periods, as they are funded, which approximate the remaining service lives of the employees affected.

Investments of Canadian General Electric Pension Trust, which funds the obligations of the Canadian General Electric Pension Plan, are carried at cost plus a programmed portion of unrealized appreciation on equities. This accounting reflects long-term market trends with the objective of adding to cost over time such amounts as will result in a common stock book value of approximately 75% of market value. There are limitations, based on the relationship of common stock book value to average market value over the prior three years, to the amount of unrealized appreciation which may be recognized at any point in time. Because of these limitations, no additional unrealized appreciation has been recognized in the accounts of the Pension Trust in the years ended December 31, 1975 or 1974. The actuarial funding programme uses 6% as the estimated rate of future earnings of the Trust.

Foreign currency transactions

Transactions in foreign currencies are translated at the rate of exchange in effect at the time of the transaction. Rates of exchange in effect at year-end dates are used to translate foreign currency balances in current assets and liabilities. Exchange adjustments are included in earnings.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method for substantially all inventories and is based on the cost of material, direct labour and manufacturing overhead. The last-in, first-out (LIFO) method is used in determining the cost of a major portion of copper and aluminum content of inventories.

Plant and Equipment

Plant and equipment is recorded at the original cost of land, buildings, equipment and equipment leased to others, less accumulated depreciation. The diminishing balance depreciation method, based principally on income tax capital cost allowance rates, is used to depreciate all plant and equipment except for leasehold improvements, containers and certain equipment leased to third parties, which are being depreciated using the straight-line method.

Expenditures for maintenance and repairs are charged to operations as incurred.

Deferred Income Taxes

The tax effect of timing differences between book and taxable income is recognized and is reflected as deferred income taxes in the Consolidated Statement of Financial Position.

Consolidated statement of current and retained earnings

Canadian General Electric Company Limited and consolidated subsidiaries

For the year	1975	1974	Note Reference
	(In thousands)		
Sales of Products and Services	**$822 134**	$709 913	1
Operating costs			
Employee compensation, including benefits	**263 171**	233 566	2
Materials, supplies, services and other costs	**477 561**	409 010	
Depreciation	**16 840**	18 491	
Taxes, other than on income	**6 231**	5 474	
	763 803	666 541	
Income from operations	**58 331**	43 372	
Other income	**7 166**	4 642	3
Interest and other financial charges	**(936)**	(2 652)	
Earnings before income taxes and extraordinary items	**64 561**	45 362	
Provision for income taxes	**28 329**	19 319	4
Net earnings before extraordinary items	**36 232**	26 043	
Extraordinary items	**7 760**	—	5
Net earnings	**43 992**	26 043	
Dividends declared	**18 044**	8 341	6
Amount added to retained earnings	**25 948**	17 702	
Retained earnings at beginning of year	**227 052**	209 350	
Retained earnings at end of year	**$253 000**	$227 052	
Net earnings per share before extraordinary items	**$4.43**	$3.18	7
Net earnings per share	**$5.38**	$3.18	7

The Summary of Significant Accounting Policies on page 24 and the Notes to Financial Statements on pages 28-31 are an integral part of this statement.

Consolidated statement of financial position

Canadian General Electric Company Limited and consolidated subsidiaries

December 31	1975	1974	Note Reference
	(In thousands)		
Assets			
Current assets:			
Cash	**$ 3 383**	$ 1 098	
Short-term investments	**19 500**	—	8
Receivables	**188 274**	154 586	9
Inventories	**219 195**	212 289	10
Deferred income taxes	**10 944**	14 642	
	441 296	382 615	
Costs recoverable under contract	**25 013**	22 605	11
Long-term receivables	**38 664**	435	12
Long-term investments	**4 491**	4 078	13
Plant and equipment	**88 491**	149 842	14
Other assets	**4 480**	4 179	
	$602 435	$563 754	
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	**$ 1 902**	$ 29 633	15
Accounts payable	**71 573**	52 010	16
Progress collections	**113 855**	86 861	
Dividends payable	**2 864**	1 892	
Taxes payable	**37 107**	9 889	17
Other liabilities and accruals	**61 529**	66 711	18
	288 830	246 996	
Deferred income taxes	**21 254**	50 326	
General reserve	**12 300**	12 300	
Capital stock	**27 051**	27 080	21
Retained earnings	**253 000**	227 052	
	$602 435	$563 754	

On behalf of the Board:

W. G. Ward, Director
A. S. Cartwright, Director

The Summary of Significant Accounting Policies on page 24 and the Notes to Financial Statements on pages 28-31 are an integral part of this statement.

Consolidated statement of changes in financial position

Canadian General Electric Company Limited and consolidated subsidiaries

For the year	1975	1974
		(In thousands)
Source of funds:		
From operations, before extraordinary items	**$ 57 326**	$ 45 500
Dispositions of plant and equipment, net of tax	**40 039**	803
	97 365	46 303
Application of funds:		
Increase in long-term receivables	**38 229**	—
Plant and equipment additions	**21 094**	24 775
Increase in long-term investments	**413**	1 134
Increase in costs recoverable under contract	**2 408**	1 069
Dividends	**18 044**	8 341
Redemption of special employees' preferred shares	**29**	58
Increase in other assets	**301**	35
	80 518	35 412
Net increase in working capital	**16 847**	10 891
Working capital at beginning of year	**135 619**	124 728
Working capital at end of year	**$152 466**	$135 619
Analysis of changes in working capital:		
Cash and short-term investments	**$ 21 785**	$ (318)
Receivables	**33 688**	50 531
Inventories	**6 906**	74 190
Short-term borrowings	**27 731**	(28 015)
Progress collections	**(26 994)**	(60 830)
Taxes payable	**(27 218)**	1 038
Accounts payable and other accruals	**(14 381)**	(27 618)
All other	**(4 670)**	1 913
Net increase in working capital	**$ 16 847**	$ 10 891

The Summary of Significant Accounting Policies on page 24 and the Notes to Financial Statements on pages 28-31 are an integral part of this statement.

Notes to Financial Statements

These notes amplify and explain the more significant items included in the Financial Statements on pages 25-27 and the application of accounting principles, including those specially discussed on page 24.

1. Sales

Comparative sales for each major category of business appear with the highlights of operations on page 1.

2. Employee compensation, including benefits

Employee compensation and benefits amounted to $263.2 million in 1975 compared with $233.6 million in 1974. The cost of benefits included $19.0 million for Company pension, life and health insurance plans ($16.0 million in 1974) and $8.4 million of Company costs for government pension plans, unemployment insurance and workmen's compensation ($6.5 million in 1974).

The number of employees averaged 18,789 in 1975 compared with an average of 19,193 in 1974. During 1975, 15 persons served as Company directors and 31 as Company officers, including 2 who also served as directors. The aggregate 1975 remuneration to directors for their services as directors amounted to $44,474 and the aggregate 1975 remuneration to Company officers was $2,265,417.

Canadian General Electric and its subsidiaries have a number of pension plans. Substantially all employees of the Company who have completed one year of service participate in the Canadian General Electric Pension Plan. The obligations of this plan are funded through the Canadian General Electric Pension Trust. Unfunded liabilities of the Pension Trust at December 31, 1974 (date of last actuarial valuation) are estimated at $20.3 million, made up of unfunded past service costs of $11.4 million, which resulted from significant plan improvements made in 1974, and an experience deficiency of $8.9 million. These unfunded liabilities are being funded over varying periods up to 15 years in accordance with government legislation.

Investments of the Pension Trust are carried at cost plus a programmed portion of prior years' unrealized appreciation. At December 31, 1975, market value of Pension Trust assets exceeded their book values (including unrealized appreciation previously recognized) by $0.9 million. Condensed Financial Statements of the Trust are presented opposite:

Canadian General Electric Pension Trust
Condensed financial statements

Operating statement

	1975	1974
	(In thousands)	
Total assets at beginning of year	**$142 755**	$130 654
Company contributions	**10 011**	8 288
Employee contributions	**4 188**	3 606
Dividends, interest and sundry income	**9 400**	8 152
Capital losses	**(861)**	(1 101)
Pensions paid	**(7 711)**	(6 844)
Total assets at end of year	**$157 782**	$142 755

Financial position

December 31	1975	1974
	(In thousands)	
Investments	**$145 222**	$129 662
Other assets (net)	**12 560**	13 093
Total assets	**$157 782**	$142 755

3. Other income

	1975	1974
	(In thousands)	
Net earnings of sales finance subsidiaries	**$ 378**	$ 188
Income from:		
Royalty and technical agreements	**1 516**	1 403
Customer financing	**1 888**	1 802
Long-term receivables	**1 955**	—
Short-term and other investments	**610**	201
Other sundry income	**819**	1 048
	$ 7 166	$ 4 642

4. Provision for income taxes

	1975	1974
	(In thousands)	
Currently payable	**$20 377**	$20 265
Deferred	**7 952**	(946)
	$28 329	$19 319

The provision for income taxes excludes income taxes on extraordinary items.

5. Extraordinary items (net of tax)

	1975
	(In thousands)
Gain on sale of land	**$ 950**
Credits arising from sale of heavy water plant	**6 810**
	$7 760

The sale of the Port Hawkesbury heavy water plant was partly for cash, with the balance receivable over a period of ten years. Credits from the sale of the plant partially offset the heavy costs of development, start-up and financing of the plant charged to operations in prior years. The credits are shown after deducting income taxes payable of $28.3 million less tax allocation credits applicable thereto of $33.3 million recorded in prior years.

6. Dividends declared

	1975	1974
	(In thousands)	
Common shares	**$17 634**	$ 7 561
Convertible preferred shares	**404**	772
Special employees' preferred shares	**6**	8
	$18 044	$ 8 341

During the year, dividends were declared on convertible preferred shares at a rate of $1.25 per share and on the special employees' preferred shares at the rate of $2.50 per share.

The regular quarterly dividend declared on common shares was increased in the third quarter from $0.25 per share to $0.35 per share for a total of $1.20 per share in 1975. In addition, a special dividend of $1.00 per common share was paid in 1975.

7. Net earnings per share

Net earnings per share for 1974 (fully diluted) assumed conversion of all convertible preferred shares. As of December 31, 1975, all such shares had been converted to common.

8. Short-term investments

Short-term investments are comprised of interest-bearing loans secured by commercial paper due on demand or within periods generally not exceeding 30 days.

9. Receivables

December 31	1975	1974
		(In thousands)
Customers' accounts	**$145 372**	$128 336
Non-consolidated subsidiaries	**46**	31
Affiliated companies	**4 360**	7 881
Progress payments to suppliers	**31 993**	15 695
Other receivables	**6 503**	2 643
	$188 274	$154 586

10. Inventories

December 31	1975	1974
		(In thousands)
Raw materials and work in process	**$131 521**	$125 744
Finished goods	**62 351**	74 803
Unbilled shipments	**25 323**	11 742
	$219 195	$212 289

Unbilled shipments represents the cost of products shipped, for installation at customers' sites, to which title has not passed.

11. Costs recoverable under contract

Costs recoverable under contract represents amounts recoverable under terms of secured contracts with customers.

12. Long-term receivables

Long-term receivables were discounted at interest rates prevailing at the time of the related transactions. Discounts are amortized over the term of such receivables.

Ten year summary

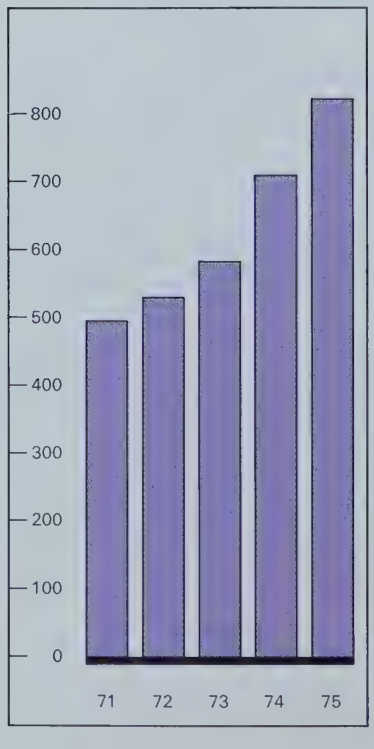
(Dollar amounts in thousands, except per share amounts)	1975
Sales of products and services	$822 134
Net earnings (before extraordinary items)	36 232
—per share	4.43
—as a percentage of sales	4.4%
Market price of last sale of the year: Per common share	$24.25
Dividends on common shares:	
—regular	$1.20
—special	$1.00
Current assets	$441 296
Current liabilities	288 830
Total assets	602 435
Plant and equipment additions	$21 094
Depreciation	16 840
Provision for income, property, and capital taxes	34 560
Average number of employees	18 789

Distribution of sales revenue

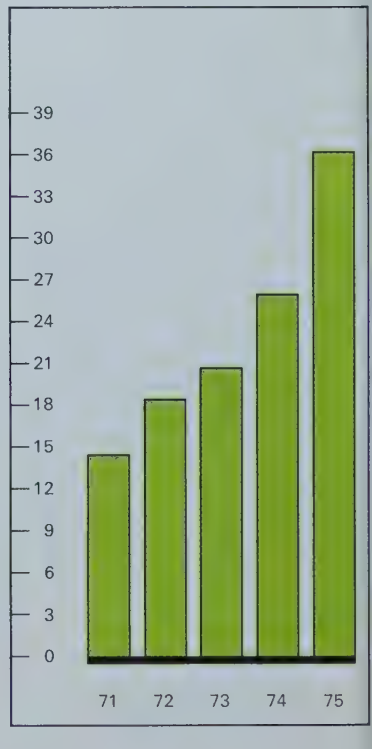
In serving its customers at home and abroad, CGE holds itself responsible as a Canadian business enterprise to four major groups: its employees, its suppliers, its shareowners and the public at large.

Five Year Summary

Sales of products and services
millions of dollars

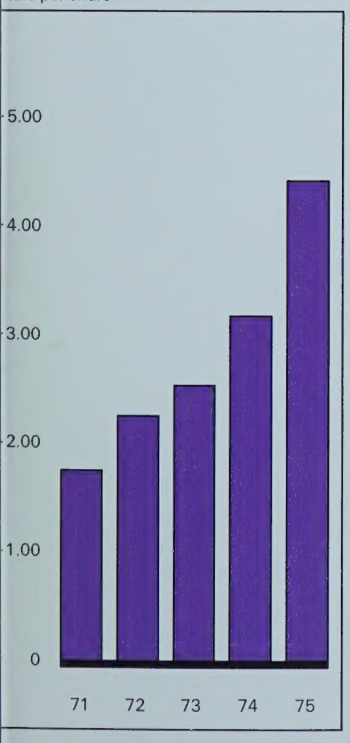


Net earnings
(before extraordinary items)
millions of dollars

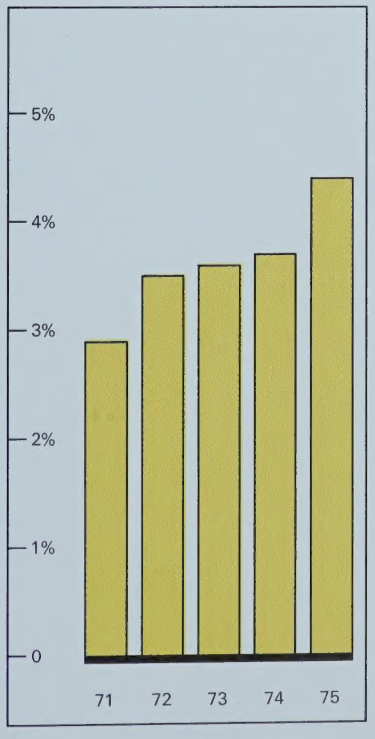


1974	1973	1972	1971	1970	1969	1968	1967	1966
709 913	$583 414	$530 174	$495 755	$489 992	$492 341	$454 674	$427 363	$415 879
26 043	20 780	18 554	14 456	12 209	15 701	14 630	14 531	18 453
3.18	2.54	2.27	1.77	1.49	1.92	1.79	1.77	2.25
3.7%	3.6%	3.5%	2.9%	2.5%	3.2%	3.2%	3.4%	4.4%
$20.00	$26.50	$32.00	$28.00	$19.50	$24.50	$33.50	$33.00	$45.00
$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
382 615	$256 300	$233 667	$240 943	$253 379	$256 127	$241 028	$244 962	$233 849
246 996	131 572	126 543	141 864	149 819	161 007	132 139	128 266	120 713
563 754	429 720	409 951	412 918	409 922	417 818	381 040	354 315	319 379
$24 775	$14 194	$15 042	$16 712	$18 320	$40 351	$45 349	$36 431	$20 988
18 491	16 481	17 241	12 615	13 374	13 849	13 382	12 583	11 001
24 793	21 347	20 617	14 845	14 641	17 343	18 168	16 735	21 853
19 193	17 890	17 583	17 950	19 789	21 268	20 866	21 749	21 066

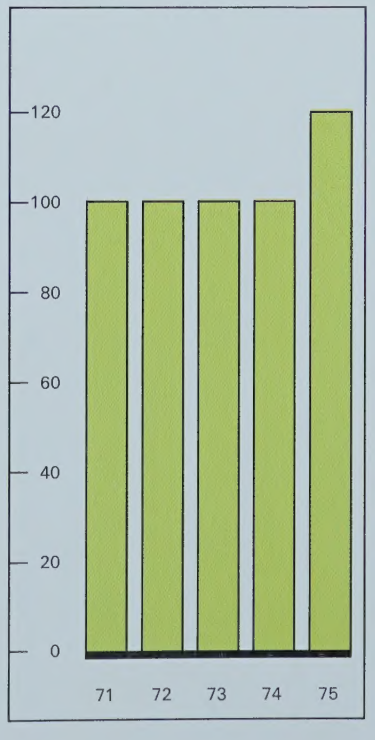
et earnings per share
efore extraordinary items)
llars per share



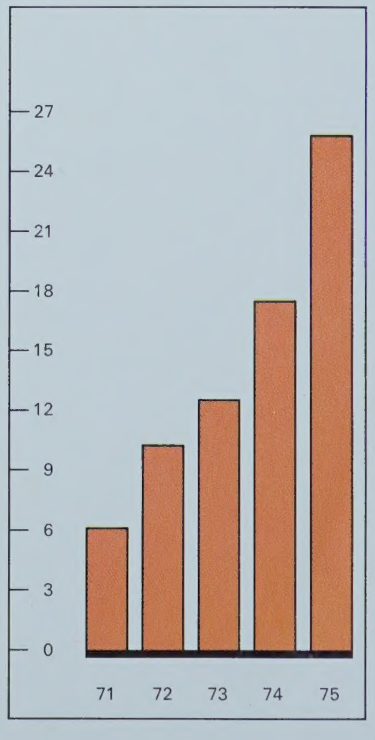
Earnings as percentage of sales
(before extraordinary items)



Regular dividends
cents per share



Reinvested earnings
millions of dollars



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Canadian General Electric

INTERIM FINANCIAL REPORT

for the six months ended in June, 1975

Earnings of Canadian General Electric Company Limited for the first six months of 1975, before extraordinary items shown below, were $15.9 million or $1.94 per share (fully diluted) compared with $9.4 million or $1.15 per share (fully diluted) for the first six months of 1974 when earnings were depressed by a four-week strike.

In May, the Company concluded an agreement with Atomic Energy of Canada Limited for the sale of its Port Hawkesbury heavy water plant. The sale was partly for cash, with the balance payable over a period of ten years. Credits arising from the sale of the plant amounting to $6.6 million increased first half earnings to $22.5 million or $2.75 per share (fully diluted). These credits contributed to offsetting heavy water development, start-up and financing costs of this first successful operating plant in Canada.

For the second quarter of 1975, the Company had earnings before extraordinary items of $10.1 million or $1.24 per share (fully diluted) compared with $8.9 million or $1.09 per share (fully diluted) in the second quarter of last year.

Sales in the second quarter of 1975 were $208.0 million compared with $181.9 million in the second quarter of 1974, bringing sales for the first six months of 1975 to $383.8 million compared with $312.0 million in the first half of 1974.

Orders for industrial and utility capital equipment received during the first six months of 1975, although slightly below last year's record level, continued to keep pace with sales. Significant new orders from export markets for heavy apparatus equipment continue to support important progress in this area of the Company's business.

Strength in the heavy electrical apparatus and industrial machinery market has more than offset persistent weakness in the construction industry and softness in markets for consumer goods.

Of continuing concern to the Company are rising costs and the seeming inability of the Canadian economy to provide the returns necessary to support needed capital investments for productivity improvements. Of concern too are Canada's trade deficits and decreasing international cost competitiveness.

Walter G. Ward
Chairman of the Board
and Chief Executive Officer

Toronto, Ontario
August 18, 1975

CANADIAN GENERAL ELECTRIC COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS

First half of 1975

SUMMARY OF OPERATIONS

(Dollar amounts in thousands; per share amounts in dollars)

Six months ended in June	1975	1974
Sales of products and services	$383 842	$312 016
Income from investments and other income	2 668	2 196
Total income	386 510	314 212
Costs including depreciation	358 327	297 717
Provision for income taxes	12 305	7 105
Total costs	370 632	304 822
Net earnings before extraordinary item	15 878	9 390
Credits arising from sale of Heavy Water Plant (after tax)	6 592	—
Net earnings for the period	$ 22 470	$ 9 390
Net earnings per share before extraordinary item*	$ 1.94	$ 1.15
Net earnings per share*	$ 2.75	$ 1.15
Earnings before extraordinary item as a percentage of sales	4.1%	3.0%

*Assuming all cumulative convertible preferred shares converted to common shares

SUMMARY OF CHANGES IN FINANCIAL POSITION

Six months ended in June	1975	1974
Source of funds:		
From operations:		
Net earnings	$ 22 470	$ 9 390
Depreciation	10 101	9 313
Deferred income taxes—non-current	(4 277)	(943)
	28 294	17 760
Disposition of Plant and Equipment:		
Sale of Heavy Water Plant (net of tax)	36 644	—
Other	162	362
	36 806	362
	65 100	18 122
Application of funds:		
Additions to plant and equipment	9 585	7 772
Increase in long-term investments	250	32
Increase in long-term receivables	39 648	—
Reduction of special employees' preferred stock	15	25
Dividends paid	4 170	4 172
Increase in other assets	2 577	1 692
	56 245	13 693
Increase in Working Capital	$ 8 855	$ 4 429

Note: The above figures are subject to audit.